

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title: A RESOLUTION relating to the City Light Department; adopting a 2015-2020 Strategic Plan for the City Light Department and endorsing a six-year rate path required to support the Strategic Plan.

Summary of the Legislation: This resolution adopts a six-year Strategic Plan update for City Light, endorses an average 4.4% per year rate increase required to support the Plan, and requests that the Utility prepare the 2015-2016 Proposed Budget and Proposed Rates assuming a 4.2% rate increase in 2015 and a 4.9% rate increase in 2016.

Background:

In 2010, City Light began a two-year Strategic Planning process to identify the challenges facing the utility and to vet the investments necessary to meet them. The Mayor and City Council appointed customer stakeholder representatives to the City Light Review Panel, and asked the Panel to review and advise on the development of the Strategic Plan, which it did. City Light engaged in an extensive public outreach process, received and incorporated feedback, and presented a 2013-2018 Plan with a six-year rate path averaging increases of 4.7% per year, which was adopted by the Council in Resolution 31383 in July 2012. That Resolution also specified that City Light would update the Plan every two years, with the next update to be finalized in 2014 to cover the period 2015-2020.

City Light has completed the process of updating the Plan by dropping two years and adding two more, with the related proposed investments and improvements to the Plan. As before, all changes to the Plan, along with accomplishments to date, were presented and vetted through both the Review Panel and an extensive public outreach process. The outreach was carried out over about a year's time, and divided into two parts: proposed rate design changes and proposed strategic investment/improvement changes. Public feedback was incorporated from both sets of outreach activities.

The Plan was adjusted to incorporate slower expected load growth and changes in forecasted capital expenditures. Two new capital initiatives were added for the 2019-2020 period: a Distribution Automation and Demand Management System to improve distribution system reliability, and a Service Center Master Plan investment to begin to address the Utility's aging service centers. The two other significant changes to the Plan were: a proposed revision to rate design policy in order to begin to recover more of the Utility's fixed costs through fixed charges, and a reduction in the Plan's assumed net wholesale revenue. The proposed reduction will more rapidly reduce the Utility's reliance on this source of revenue and the likelihood of surcharges to replenish the Rate Stabilization Account (RSA), which will provide customers with more bill

predictability.

The resulting Strategic Plan update is a package of investments and improvements to achieve operational efficiencies, maintain current service levels, increase reliability, strengthen City Light's workforce and financial stability, and support job growth and economic development in the region. The Strategic Plan Update requires additional investment and implies a six-year rate path with increases averaging 4.4% per year.

The Strategic Plan provides a forum for discussion between the Utility, elected officials, and customer stakeholders, and provides more transparency and accountability for decision-making within the Utility. It is intended to guide budget and rate development for the Utility. Therefore, this legislation requests that the Utility prepare the 2015-2016 Proposed Budget to support the Strategic Plan update and the 2015-2016 Rate Proposal with increases of 4.2% in 2015 and 4.9% in 2016.

The Strategic Plan will continue to be revised and updated every two years, with the next update scheduled for 2016, to cover the six-year period 2017-2022.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations: *N/A*

Appropriations Notes: There are no appropriations as a direct result of this legislation. Appropriations related to it will be submitted with the 2015-2016 budget legislation.

Anticipated Revenue/Reimbursement Resulting from this Legislation: *N/A*

Revenue/Reimbursement Notes: There are no revenues/reimbursements as a direct result of this legislation. Revenues related to it will be submitted with the 2015-2016 budget legislation.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact: *N/A*

Position Notes: This legislation does not create, modify or abrogate any positions. FTE impacts related to it will be submitted with the 2015-2016 budget legislation.

Do positions sunset in the future? *N/A*

Spending/Cash Flow: *N/A*

Spending/Cash Flow Notes: This legislation does not directly impact spending or cash flow. Related spending and cash flow impacts will be submitted with the 2015-2016 budget legislation.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes, adoption of the Strategic Plan update implies a trajectory of rate increases averaging 4.4% per year over the 2015-2020 period, and directs City Light to prepare the 2015-2016 Proposed Budget and proposed rate increases of 4.2% for 2015 and 4.9% for 2016 in support of the Plan.
- b) **What is the financial cost of not implementing the legislation?**
N/A
- c) **Does this legislation affect any departments besides the originating department?**
This legislation does not directly affect any other department. Certain projects, such as capital work and customer service, are carried out jointly with other City departments including SDOT and SPU, but coordination is established and on-going.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** N/A
- e) **Is a public hearing required for this legislation?** No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- g) **Does this legislation affect a piece of property?** No.
- h) **Other Issues:** None.

List attachments to the fiscal note below: None.